MARKET ANALYSIS AND FINANCIAL PROJECTIONS FOR A PROPOSED CONFERENCE/LODGING FACILITY IN STURGEON BAY, WI

APR 1983

Coastal Zone Management Program

MARKET ANALYSIS AND FINANCIAL PROJECTIONS

FOR A PROPOSED

CONFERENCE/LODGING FACILITY

IN

STURGEON BAY, WISCONSIN

APRIL 1983

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This report, entitled "Market Analysis and Financial Projections for a Proposed Conference/Lodging Facility in Sturgeon Bay, Wisconsin", has been prepared pursuant to our engagement letter dated February 10, 1983.

The scope of our work is described in the attached report and includes, among other factors, the following: a discussion of the demand for the proposed facilities with representatives of government, commerce and industry; a review of available demographic data and commercial and industrial growth statistics of the Sturgeon Bay area; and a survey and analysis of existing and planned travel and meeting patterns, area approaches, motor inns, conference facilities and restaurants as they pertain to the proposed property.

In accordance with our engagement letter, we ascertained neither the impact of energy shortages nor the legal and regulatory requirements applicable to this project, including zoning, other state and local government regulations, permits and licenses. Furthermore, no effort has been made to determine the possible effect on this project of present or future federal, state or local legislation, including any environmental or ecological matters or interpretations thereof.

The report is based on estimates, assumptions and other information developed from research of the market, knowledge of the industry and certain information supplied by you.

The sources of the information and bases of the estimates and assumptions are stated herein. The terms of our engagement are such that we have no obligation to revise this report or the projections to reflect events or conditions which occur subsequent to April 15, 1983. However, we are available to discuss the necessity for revision in view of changes in economic or market factors affecting the proposed project.

Since the projections are based on estimates and assumptions which are inherently subject to uncertainty and variation depending on evolving events, we do not represent them as results that will actually be achieved.

This report and financial projections are intended solely for your information, to attract developers, and in support of an application with a lending institution for financing the proposed project. They may also be submitted to a hotel management firm in order to generate interest in licensing or managing the property. Otherwise, neither the report nor its contents may be referred to or quoted in any registration statement, prospectus, loan or other agreement or document.

Laventhol & Horwath

April 15, 1983

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INTRODUCTION

PURPOSE AND SCOPE

Laventhol & Horwath has been engaged by the City of Sturgeon Bay, Wisconsin, to analyze the development potential of a lodging and meeting facility in the Sturgeon Bay area.

The scope of our work includes, but is not limited to, the following procedures:

- An analysis of the general economic environment of the Sturgeon Bay area as it pertains to the meeting and lodging market.
- An assessment of the Sturgeon Bay market in regard to the supply of and demand for lodging and meeting facilities.

- A survey of meeting planners throughout the state of Wisconsin to determine their requirements for selection of a meeting site and their attitudes regarding their selection of Sturgeon Bay as a meeting site.
- An identification of facilities and services that may be needed to support the proposed lodging and meeting facilities.
- A determination of the number, size and type of lodging, meeting and ancillary facilities needed to meet the needs of the market now and in the foreseeable future.
- An analysis of competitive meeting facilities in Wisconsin.
- Projections of utilization for both the meeting and the lodging facilities.
- An analysis of the various sites available throughout the Sturgeon Bay area as regards the suitability and marketability of each for the development of a meeting and lodging facility.
- Projections of operating revenues and expenses for both the meeting and the lodging facilities.
- A determination of the economic impact on Sturgeon Bay that would result from the construction of the meeting facility.
- Assistance to the city of Sturgeon Bay in the development of a financial strategy regarding the project, including funding sources and ownership/management options.

PROJECT CONCEPT

Sturgeon Bay is the seat of Door County, Wisconsin, and its largest city. This area has long been known throughout Wisconsin and the Midwest for its attraction to tourists, especially during the summer months. Tourists come to the area for both the picturesque scenery and the recreational facilities available.

In order to stimulate the local economy through the attraction of additional visitors to the Sturgeon Bay area, especially convention and conferences, the City of Sturgeon Bay has begun consideration of a conference/lodging facility. This proposed facility is expected to attract conference demand during those months of the year when the tourist traffic lessens, as well as to improve service to the commercial base already existing in the Sturgeon Bay area. In addition, the proposed facility is expected to serve the local community with its public meeting and banquet facilities. Moreover, one of the prime motivating factors behind the proposed development is the economic benefit the community of Sturgeon Bay derives through the resultant influx of new dollars into the area.

With the development of new meeting facilities in other Wisconsin cities, Sturgeon Bay has been placed in a noncompetitive position in attracting conference demand. Accordingly, this study was undertaken in response to the desire to provide competitive facilities which will enable Sturgeon Bay to attract meetings and therefore enjoy the economic benefits associated with them.

The proposed lodging facility was analyzed under two size scenarios: Scenario A assumes 100 guest rooms, while Scenario B assumes 80.

EXECUTIVE SUMMARY

From our analyses, we have reached the following major conclusions:

- The Sturgeon Bay and Door County areas comprise one of the largest tourist areas in the Midwest.

- Although the major nontourist industry, shipbuilding, is cyclical in nature and has recently gone through a downturn, the employment and commercial base is rebounding and is expected to continue to grow in the foreseeable future.

- An analysis of the proposed conference facility indicated that Sturgeon Bay would be competing for the group market, in varying degrees, with other cities in Wisconsin. Some of these include the following:

  Appleton
  Eau Claire
  Fond du Lac
  Green Bay
  LaCrosse
  Madison
  Milwaukee
  Oshkosh
  Sheboygan
  Stevens Point

- Our survey of meeting planners revealed that the total penetrable group demand for Sturgeon Bay was approximately 54,600 room-nights in 1982.

- The above demand is expected to increase at a 4% rate.

- Our interviews with city and county officials indicated that there were four potential sites for the proposed facility:

  Sawyer Park Area
  Old Lambert Lumberyard
  Peterson Builders
  Orbit

- On the basis of our survey of meeting planners and the current financing environment, it was determined that only the areas near the two downtown sites (the Sawyer Park area and the Old Lampert Lumberyard) should be considered for development of this project. Both of these areas appear well suited for this type of development.

- On the basis of our knowledge of the present and potential markets available to the proposed conference/lodging facility, our review of present competitive facilities and the future needs of the market, and on the basis of our survey of meeting planners, we recommend the following facilities:

Guest rooms		100 (Scenario A)
		80 (Scenario B)

		Number of seats
Food and beverage facilities (both scenarios):		
Restaurant (open for breakfast, lunch and dinner)		125-150
Entertainment lounge		75
Meeting space (both scenarios):		
Ballroom/exhibit space		4,000
4 mid-size meeting rooms	(each)	750
3 small meeting rooms	(each)	250
Other amenities (both scenarios):		
Indoor pool		
Health club facilities		

- Sturgeon Bay's stabilized penetration of future demand levels would be 9.4%.

- Based on the demand and the proposed facility, the anticipated nonlocal utilization of the proposed conference facility is projected as follows:

Year	Projected room-nights captured	Projected number of delegate days	Projected event days	Projected events
1985	4,600	6,400	46	23
1986	5,400	7,600	54	27
1987	6,200	8,700	62	31
1988	6,500	9,100	65	32
1989	6,800	9,500	68	34

- Projected local utilization of the conference facility would be as follows:

Year	Events
1985	80
1986	90
1987	100
1988	110
1989	120

- An analysis of the area's existing lodging properties indicated that there are nine that would be competitive, in varying degrees, with the proposed lodging facility. These competitive properties offer a total of approximately 258 rooms.

- At the present time, the only planned addition to the lodging supply, other than the proposed property, is the 14-room addition to the Cherryland Motel. For purposes of our analysis, the future supply of lodging facilities in the market for the two scenarios is assumed to be as follows:

	Guest rooms	
	Scenario A	Scenario B
Present supply	258	258
Additions:		
Proposed property	100	80
Cherryland Motel, addition	14	14
	372	352

- The present annual room-night demand in the market area was estimated from interviews with the management of the competitive properties and from our knowledge of lodging patterns in the area. The estimated annual demand for 1982, stratified by market segment, is presented below:

Market segment	Estimated 1982 room-night demand: Number	Distribution
Commercial	12,300	30.9%
Tourist	27,500	69.1
	39,800	100.0%

- On the basis of analysis of key economic indicators, growth rates for the present demand in Sturgeon Bay were projected by market segment as follows:

Market segment	Projected annual growth rates
Commercial	2.0%
Tourist	2.5%

- Stabilized market penetration rates for the proposed lodging facility were estimated by market segment for each scenario as follows:

Market segment	Projected stailized penetration: Scenario A	Scenario B
Commercial	34.1%	27.0%
Group*	95.0%	85.0%
Tourist	27.2%	22.4%

*Group demand would be new to the area and generated because of the existence of the proposed conference/lodging facility.

- The likely levels of utilization for the proposed lodging facility under both scenarios were projected as follows:

Year	Projected level of occupancy*	
	Scenario A	Scenario B
1985	55%	58%
1986	58	63
1987	61	66
1988	62	69
1989	63%	70%

*Includes the new demand from the group segment which has never before met in Sturgeon Bay.

The above projections were determined from present demand factors, the anticipated future rate of growth, Sturgeon Bay's projected penetration of the group market and the proposed lodging facility's projected penetration of future demand.

- Average rates per occupied room for the proposed lodging facility were developed under both scenarios on the basis of estimated occupancy levels, the market segmentation of the demand anticipated to utilize the property, discount factors for preferred customers and estimates of double occupancy. The average rates, which are between $44 and $45 in 1983 dollars, were estimated as follows (stated in inflated dollars):

Year	Scenarios A and B
1985	$51.25
1986	54.50
1987	58.50
1988	62.50
1989	$66.75

The comments and assumptions contained in this report are an integral part of these projections.

On the basis of historical trends of growth in average rates in the Sturgeon Bay area and our research into nationwide growth trends, a 7% inflation factor was applied to 1983 rates in order to estimate future-year dollars.

- A summary of financial projections under both scenarios for the proposed conference facility, based on projected utilization and stated in thousands of inflated dollars, is as follows:

	Scenario A				
	1985	1986	1987	1988	1989
Rent revenue	$18	$22	$27	$ 31	$ 36
Total revenue	69	79	90	100	112
Cash flow before debt service	($41)	($40)	($40)	($ 40)	($ 39)

	Scenario B				
	1985	1986	1987	1988	1989
Rent revenue	$18	$22	$27	$ 31	$ 36
Total revenue	66	75	85	96	107
Cash flow before debt service	($43)	($44)	($44)	($ 43)	($ 44)

The comments and assumptions contained in this report are an integral part of these financial projections.

- A summary of financial projections under both scenarios for the proposed lodging facility, stated in thousands of inflated dollars and based on the projected utilization, is as follows:

	Scenario A				
	1985	1986	1987	1988	1989
Room revenue	$1,029	$1,154	$1,303	$1,414	$1,535
Food and beverage revenue	1,250	1,383	1,529	1,659	1,799
Total revenue	2,342	2,609	2,912	3,161	3,429
Cash flow before debt service	$ 407	$ 493	$ 605	$ 665	$ 726

	Scenario B				
	1985	1986	1987	1988	1989
Room revenue	$ 868	$1,003	$1,127	$1,259	$1,364
Food and beverage revenue	1,144	1,284	1,414	1,556	1,686
Total revenue	2,066	2,349	2,611	2,893	3,134
Cash flow before debt service	$ 314	$ 418	$ 509	$ 595	$ 653

The comments and assumptions contained in this report are an integral part of these financial projections.

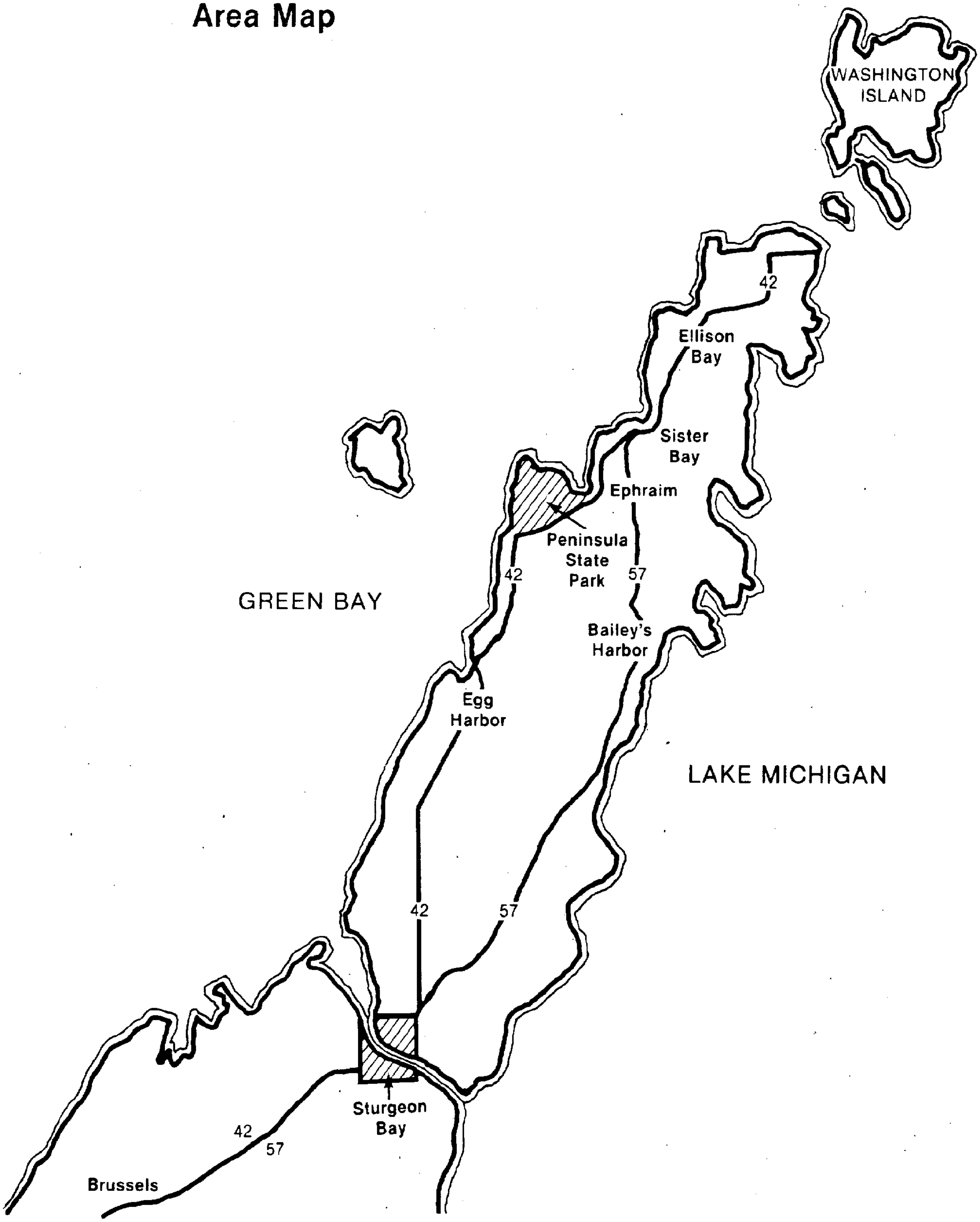
- A summary of the direct incremental out-of-town delegate expenditures and the effect on these expenditures of the income multiplier effect is as follows:

	1985	1986	1987	1988	1989
Direct incremental out-of-town delegate expenditures	$ 518,400	$ 661,200	$ 809,100	$ 910,000	$1,016,500
Expenditures after income multiplier effect	$1,555,200	$1,983,600	$2,427,000	$2,730,000	$3,049,500

The comments and assumptions contained in this report are an integral part of these financial projections.

- The development of the proposed facility is expected to result in an additional 80 to 100 full-time equivalent employment positions for the Sturgeon Bay area.

Proposed Conference/Lodging Facility
Sturgeon Bay, Wisconsin
Area Map



MARKET AREA ANALYSIS

GENERAL

This section of the report describes and analyzes the socioeconomic characteristics of the Sturgeon Bay market area, in which the proposed conference/lodging facility would be competing. The indicators cited for this overview include the following:

Area description
Transportation
Tourism
Population
Income
Retail sales
Sales tax
Employment
Building permits

AREA DESCRIPTION

Sturgeon Bay, the seat of Door County and its largest city, is located approximately 45 miles northeast of Green Bay, Wisconsin. As can be seen on the map on the facing page, Sturgeon Bay serves as the gateway to the remainder of Door County, one of the most heavily visited tourist areas in the Midwest. In addition to its own tourist facilities and amenities, Sturgeon Bay serves as the commercial and industrial center of Door County.

Visitors from throughout the country are attracted to Door County both for its extensive recreational facilities (golf, sailing, fishing, camping, cross-country skiing, etc.) and for its picturesque scenery, especially the changing of the colors during the autumn.

TRANSPORTATION

The large majority of visitors to Sturgeon Bay and Door County arrive via private automobile. The major access roads to the area from Green Bay and the remainder of Wisconsin are Wisconsin Routes 42 and 57.

In addition, the area is served by Cherryland Airport. Currently offering only private air service (no commercial flights), the airport is presently expanding its facilities with the addition of an east/west runway and an instrument approach system.

Upon completion of these additions, expected late in the summer of 1983, airport officials are hoping for the return of commuter air service. They have indicated that negotiations are currently under way with several airlines regarding this service.

TOURISM

As has been discussed earlier in this report, Door County has historically been one of the major tourist areas in the Midwest, attracting visitors from throughout the country. While Sturgeon Bay enjoys tourism, the majority of present tourism activity in Door County is estimated to take place to the north of the city. Although it is impossible to pinpoint the number of visitors to the area, it has been estimated by the Door County Chamber of Commerce that there are approximately 2,000,000 visitors per year, with the peak demand coming between June 15 and October 15. The indicators that are available to measure tourist traffic relate to information services provided by the Door County Chamber of Commerce. These statistics are presented below:

Category	1980	1981	1982	Average annual percentage increase
Responses to Chamber advertisements	17,800	21,264	25,243	19.1%
Inquiring phone calls	15,789	16,936	17,395	5.0%
Chamber office visitors	17,967	19,313	19,781	4.9%

Source: Door County Chamber of Commerce.

These statistics are further indication that tourism is continuing to grow in Door County.

Another good indicator of the future of tourist activity for an area is the amount of income available to the Chamber of Commerce and the amounts expended on advertising and promotion. The data presented below demonstrate the funds available to the Door County Chamber of Commerce and the increasing percentage spent on advertising and promotion:

Year	Income	Advertising and promotion expenditures	Percentage of income
1972	$ 74,975	$23,992	32.0%
1975	$117,514	$41,130	35.0%
1981	$171,834	$70,452	41.0%
Average annual percentage increase	8.9%	12.7%	

Source: Door County Chamber of Commerce.

POPULATION

Historical and projected population data for Sturgeon Bay and Door County are presented below:

	Population				Average annual percentage increase		
	1970	1980	1990 (projected)	2000 (projected)	1970-80	1980-90 (projected)	1980-2000 (projected)
Sturgeon Bay	6,776	8,847	10,192	11,608	2.7%	1.2%	1.2%
Door County	20,106	25,029	29,560	33,570	2.2%	1.7%	1.5%

Sources: U.S. Department of Commerce, Bureau of the Census.
State of Wisconsin, Department of Administration.
McMahon Associates.

As the data above indicate, both Sturgeon Bay and Door County have been experiencing growth in population, and this growth is expected to continue in the future. Although the population has not been growing at a rapid rate, it is important to note that it is growing, whereas many communities throughout the Midwest have been experiencing actual declines.

INCOME

Income is one measure of the economic health of a given area. It also serves as an indicator of the relative strength of the food and beverage market with which the proposed facility's food and beverage outlets would be competing. Median household effective buying income (EBI) is shown below for Door County and Wisconsin. The table lists EBI stated in 1981 constant dollars:

	Median household EBI		Average annual percentage decrease
	1976	1981	
Door County	$18,450	$17,920	(.6%)
Wisconsin	$22,710	$20,870	(1.7%)

Source: Sales & Marketing Management magazine, Survey of Buying Power, 1977 and 1982.

Although Door County has experienced a decline in buying power because of the rapid inflation that was present in past years, it is important to note that Door County has been experiencing a slower decline than has the state as a whole.

RETAIL SALES

Retail sales activity is another indicator of the economic health of an area. Total retail sales (in thousands of dollars) for Door County and Wisconsin are presented below, stated in 1981 constant dollars:

	Retail sales activity (000's) 1976	1981	Average annual percentage decrease
Door County	$ 115,000	$ 103,000	(2.2%)
Wisconsin	$22,628,000	$20,189,400	(2.3%)

Source: Sales & Marketing Management magazine, Survey of Buying Power, 1977, 1982.

In addition to the downtown shopping district, the major retail area in Sturgeon Bay is the Cherry Point Mall, located on Egg Harbor Road. Approximately 2 1/2 years old, the mall contains 110,000 square feet of retail space. Its ten tenants provide about a 75% occupancy level for the mall. The three anchors of the mall are Piggly Wiggly (super market), Schultz's Family Store (discount store) and Spurgeon's (department store).

Although both Door County and Wisconsin experienced declines in retail sales activity between 1976 and 1981, it is also appropriate to examine the retail sales activity associated with eating-and-drinking places. Retail sales in this category for Door County and Wisconsin are presented below, stated in thousands of 1981 constant dollars:

	Eating-and-drinking places, retail sales activity (000's) 1976	1981	Average annual percentage change
Door County	$ 14,350	$ 18,260	4.9%
Wisconsin	$ 2,538,460	$ 2,204,490	(2.8%)

Source: Sales & Marketing Management magazine, Survey of Buying Power, 1977, 1982.

As the data above indicate, Door County has experienced significant increases in retail sales in eating-and-drinking places. This is primarily the result of the significant growth in the levels of tourist activity in Door County. It also is indicative of the strong ties to the area by tourists, since growth has occurred in the face of a national downturn in economic conditions.

SALES TAX

An additional indicator of the level of lodging demand and tourist activity in a given area is the amount of sales tax revenues generated by the area's hotels and motels. Presented below are historical sales tax revenues from hotels and motels in Door County, as stated in actual dollars and in equivalent dollars (to account for an increase in the applicable tax rate):

Year	Sales tax rate	Hotels/motels Sales tax receipts Actual	Equivalent
1976	4%	$251,546	$314,432
1977	4	275,910	344,887
1978	4	315,007	393,759
1979	4	344,284	430,355
1980	4	399,838	499,797
1981	5%	$519,268	$519,268
Average annual percentage increases		15.6%	10.6%

Source: State of Wisconsin, Division of Tourism, Research Department.

The above data indicate that the area's sales tax receipts have been increasing by approximately 10.6% annually. This is indicative of the strength, stability and non-price-sensitivity of the tourist activity in the Sturgeon Bay and Door County areas.

EMPLOYMENT

In addition to its high levels of seasonalized tourist-related employment, Sturgeon Bay has long been known for its heavy involvement in shipbuilding and related activities. This area of expertise developed initially because of the exceptional harbor facilities available in Sturgeon Bay. Companies located in Sturgeon Bay are responsible for ships of all sizes and types ranging from oceangoing vessels to luxurious private yachts. Contributing another large source of seasonal employment (summer and fall) are the many small fruit processors located throughout the area.

Presented below are historical employment levels by category for Door County:

Category	Employment levels February 1975	Employment levels February 1983	Average annual percentage increase
Manufacturing	2,300	2,300	
Contract construction	190	230	2.4%
Transportation and communications	110	110	
Wholesale and retail trade	1,170	1,530	3.4
Finance, insurance and real estate	120	240	9.1
Services	760	1,200	5.9
Government	1,130	1,340	2.2
	5,780	6,950	2.3%
Unemployment percentage	12.1%	22.0%	

Source: Wisconsin Department of Industry, Labor and Human Relations.

While the total number of people employed in Door County has increased by 2.3% per year since 1975, the increase in population during this same period has resulted in a large available work force, thus causing the unemployment rate to increase. In addition, certain members of the shipbuilding industry in Sturgeon Bay have had to lay off sizeable numbers of workers. However, some employers in this industry, which is somewhat cyclical in nature, have started to recall their work force, thereby reducing the rate of unemployment.

Another important point apparent from the above statistics is the relatively large increase in employment levels for three categories: wholesale and retail trade; finance, insurance and real estate; and services. In several respects, this is important in analyzing conference and lodging demand. First, these industries generate the largest share of conference and lodging demand. Second, their employees and customers who travel to Sturgeon Bay are typically less price-sensitive than are those in other industries. Finally, these industries tend to be less cyclical in nature than are others such as construction, thereby lending stability to the conference and lodging market.

BUILDING PERMITS

The level of construction activity in a city, as measured by the number and value of building permits issued, is also a good indicator of the economic health of an area. Presented below are historical building permit data for Sturgeon Bay:

	Building permits	
Year	Number issued	Estimate of cost (000's)
1971	150	$ 2,363
1972	174	3,638
1973	160	4,349
1974	225	3,726
1975	212	4,966
1976	231	4,403
1977	280	8,579
1978	271	6,633
1979	264	12,406
1980	233	5,276
1981	244	6,954
1982	275	$ 4,404
Average annual percentage increase	5.7%	5.8%

Source: City of Sturgeon Bay, Inspection Department.

The data above indicate that Sturgeon Bay has enjoyed steady increases in construction activity levels, while the size of individual projects continues to vary.

SUMMARY

It is apparent that the Sturgeon Bay area has been and will continue to be the major commercial base of the county. In addition, tourism in Door County has continued to increase despite the recent economic downturn experienced nationwide, which has devastated many areas of the tourism industry.

CONFERENCE CENTER SUPPLY AND DEMAND ANALYSIS

GENERAL

This section of the report examines the competitive environment in which the proposed Sturgeon Bay conference facility would compete. The facilities in those cities throughout Wisconsin considered as competitive are described. In addition, present and future demand associated with the supply is analyzed.

MARKET SEGMENTATION

Our analysis of the conference and meeting market in which Sturgeon Bay would be competing indicated that there are three identifiable market segments which would comprise the bulk of demand. These segments are described in more detail below:

- Associations are groups organized primarily according to the special interest common to the members. These interests cover a wide range of subjects, and consequently, these groups do not necessarily relate to commercial or industrial activities. These associations may be of either a state, a regional or a national nature. It is expected that Sturgeon Bay would be competing primarily for state associations. Typically each association holds one major convention and several smaller meetings each year. Decisions regarding conventions and meeting sites may be made by the executive director of the association or by a specially designated individual or committee. The major criteria used in selecting the meeting site include an accessible location, adequate hotel facilities, membership in the area, and the availability of meeting rooms and exhibit space. Although regional and national associations have few restrictions as to the site of their meetings, the charter of state associations often requires that the group convene within that state.

- Corporate groups are generally related to the commercial or industrial activities of a single firm. Corporations are likely to hold a number of meetings each year, for a variety of purposes, such as the following: sales meetings, management meetings, training seminars, trade show participation, and professional/technical meetings. In general, these meetings tend to be smaller than those held by associations, and they are generally confined to weekdays. The most important factors considered in selecting a site include the following: price/cost; central, accessible location; good accommodations and facilities; easy transportation; and convenience. Corporate groups are most likely to meet either near their places of business or in a resort location. The utilization of stand-alone conference centers by these groups is increasing because of the complete facilities and isolated environment which are increasingly demanded by this segment.

- Local groups are organizations located in Sturgeon Bay which from time to time require banquet, meeting or exhibit space. These groups may be either formal or informal, but they do not include corporate groups. The types of events held by this

CITY OF STURGEON BAY

CONFERENCE MARKET

COMPETITIVE SUPPLY

City	Number of first-class rooms	Largest banquet capacity	Largest single exhibit space (square feet)
Appleton	700	1,400	14,000
Eau Claire	800	300	3,200
Fond du Lac	500	400	3,600
Green Bay	1,700	2,200	25,000
LaCrosse	1,600	3,500	40,000
Madison	3,000	2,000	66,000
Milwaukee	7,000	9,000	132,000
Oshkosh	500	400	3,400
Sheboygan	300	700	8,000
Stevens Point	300	800	6,200

Sources: Meeting News magazine.
Successful Meetings magazine.

segment include the following: banquets, awards programs, local conferences, exhibits, and consumer shows. By definition, these groups are almost exclusively restricted to the Sturgeon Bay area. However, the not-for-profit status of most of these groups requires that they be more price-sensitive than are corporations and associations.

The proposed conference facility would appeal in varying degrees to each of the above segments of the market; this is attributable to the differences among these segments in meeting-site determinants. The success of the subject property would depend upon the degree to which it could optimize its overall attractiveness to all of these segments.

COMPETITIVE SUPPLY

Our analysis of the competitive environment in which the proposed Sturgeon Bay facility would operate indicated that, rather than competing with the various convention centers, conference centers or hotels located throughout Wisconsin, it would actually be in competition with the cities themselves. This is a result primarily of the limited facilities present in Sturgeon Bay which would force the proposed facility to concentrate on the smaller meetings and groups that rotate their sites among various areas of the state. As these groups can typically be accommodated solely within any one facility, the size of the facility does not become a factor. Our analysis indicated that Sturgeon Bay would be competing primarily with ten cities located throughout Wisconsin. The chart on the facing page offers specific data on each city. These cities were chosen because of the presence in each of downtown hotels or convention centers oriented to attracting group demand. Although many cities throughout Wisconsin attempt to attract group meetings, these were excluded from our analysis because of the lack of comparable facilities. In addition, many groups, primarily corporate in nature, utilize the facilities of the many resorts located throughout Wisconsin, especially those in the Lake Geneva area. These were excluded from our analysis, because the facility proposed for Sturgeon Bay is not expected to be a full-scale resort.

As for local meeting facilities in Sturgeon Bay with which the proposed facility would be somewhat competitive, the area has long suffered from a lack of quality public meeting and banquet facilities. This deficiency has been such that many of these events must be held in Green Bay, 45 miles away. Recently, this situation was partially alleviated with the December 1982 opening of the new Elks Club. This facility, which is available for public rental, can accommodate approximately 155 people in its 1,500 square feet of public space. Discussions with management personnel at the club indicated that since its opening, these facilities have been used an average of three times per week.

PRESENT DEMAND

In order to determine the amount of present conference demand for which the proposed facility in Sturgeon Bay would be competing, we conducted a survey of association and corporate meeting planners throughout the state of Wisconsin. A copy of the survey (Appendix A) and a summary of its results (Appendix B) are presented at the end of this report.

The survey was mailed to approximately 190 meeting planners, and we received approximately a 45% response rate.

The meeting planners (association and corporate) who were used in the mailing were screened from a master list and selected on the basis that the number of guest rooms they required would be, with the proposed hotel, available in Sturgeon Bay.

On the basis of the responses from those corporate meeting planners we surveyed, it was determined that there was a low level of interest in Sturgeon Bay on the part of corporate groups. This is primarily the result of corporate groups' preferences for meeting places that are truly resort in nature (golf course, tennis, isolated environment, etc.); the proposed Sturgeon Bay facility is not expected to have such amenities. Therefore, the survey responses from association meeting planners which were favorable toward Sturgeon Bay determine the potential demand levels.

On the basis of the responses to our survey, it was determined that the typical association's meeting profile had the following characteristics:

Average number of meetings per year	2.1
Average hotel rooms per meeting	100
Average length of meeting	2 nights

Utilizing the above characteristics of the Wisconsin association meeting market capable of being accommodated in Sturgeon Bay, we computed a resulting potential demand level for 1982 of approximately 71,800 room-nights.

This level of group demand in which Sturgeon Bay will be competing must further be adjusted to account for the large amount of tourist demand present in Sturgeon Bay and Door County during the summer months. The proposed Sturgeon Bay conference/lodging facility is not expected to market to groups for the summer months but, rather, to emphasize the tourist business, with its higher achievable room rates. Therefore, the demand for meetings during July, August and September (Sturgeon Bay's peak tourist season) has been removed from the potential demand base. Our survey indicated that 23.9% of all meetings are held during these months. Reducing the 1982 demand level of 71,800 room-nights by this percentage results in a 1982 penetrable demand level of approximately 54,600 room-nights.

It should be noted that the use of Wisconsin meeting planners in the survey does not exclude the potential for capturing groups based out of the Chicago area. In fact, it is likely that when the leisure traveler to Sturgeon Bay from Chicago discovers that a facility is available for conferences, he may become instrumental in influencing his association or corporate meeting planner to select Sturgeon Bay as a meeting site. However, since we also know that some of the meeting planners we surveyed select out-of-state meeting sites, it was assumed that the trade-off in demand lost from Wisconsin associations and demand gained from out-of-state associations would equal out.

FUTURE DEMAND

Future demand is a function of current potential demand levels and the growth rate associated with the market segment. Our analysis of historical levels of activity in the convention and meeting market, especially that of small meetings, resulted in our estimate of a 4% annual growth rate in the association meeting market. Applying this growth rate to the 1982 penetrable demand results in the following levels of demand for the projection period:

Year	Penetrable demand (room-nights)
1985	61,400
1986	63,900
1987	66,400
1988	69,100
1989	71,900

HOTEL SUPPLY AND DEMAND ANALYSIS

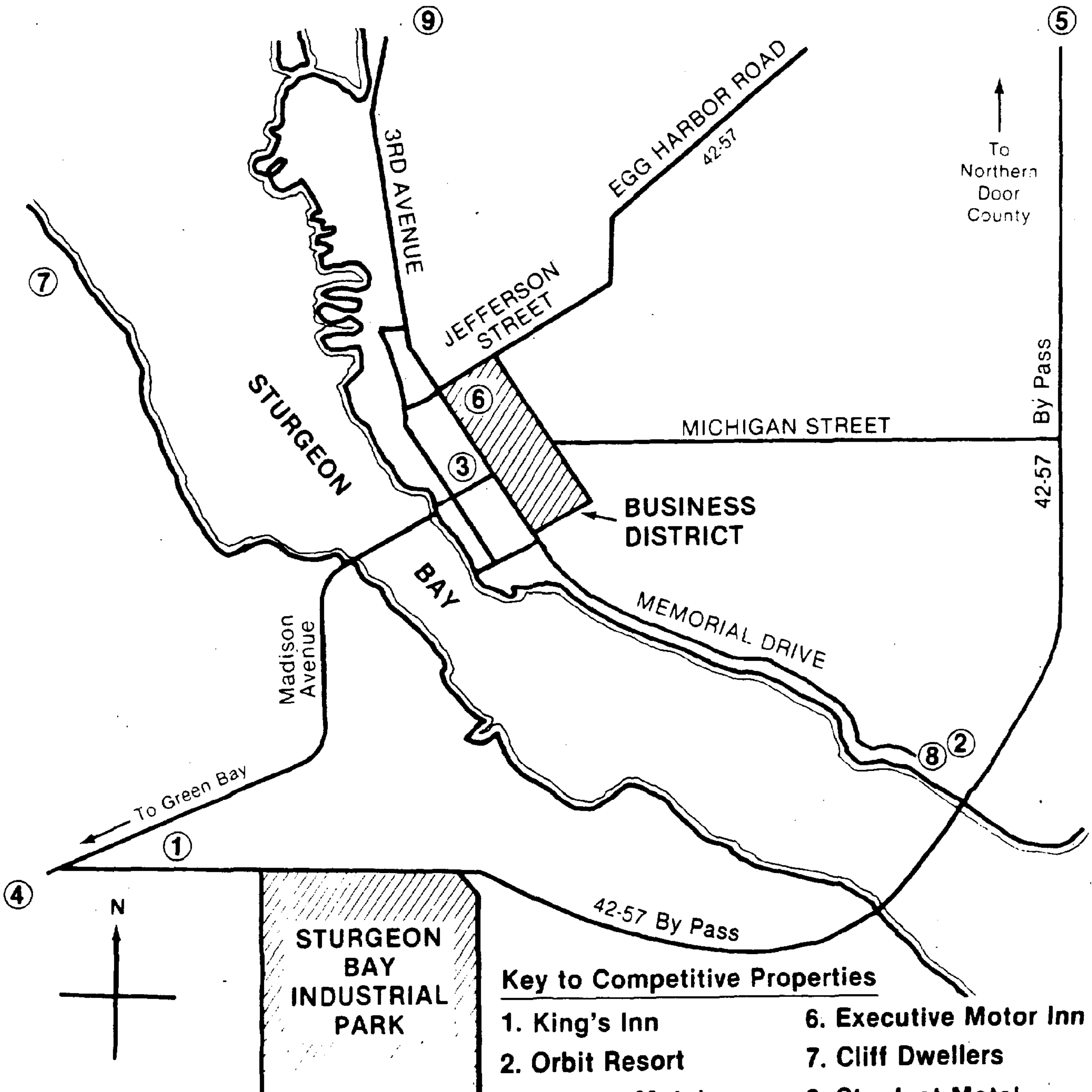
GENERAL

This section of the report reviews the present competitive supply of lodging accommodations in Sturgeon Bay, as well as any planned additions to or deletions from the future supply. In addition, the present demand associated with that supply and its market composition are analyzed.

MARKET STRATIFICATION

Our analysis of the Sturgeon Bay lodging market indicated that there are presently two distinct market segments being served. The following paragraphs provide a description of each:

Proposed Conference/Lodging Facility
Sturgeon Bay, Wisconsin
Competitive Lodging Properties



Key to Competitive Properties

1. King's Inn
2. Orbit Resort
3. Holiday Motel
4. Cherryland Motel
5. Chal-A Motel
6. Executive Motor Inn
7. Cliff Dwellers
8. Stardust Motel
9. Bay Shore Inn

- Commercial - This market segment includes those individuals traveling to the area for business reasons. It generally utilizes lodging facilities during the work week (Monday through Thursday nights) and generates little demand on Friday, Saturday and Sunday nights. Primary decision criteria for this segment are convenience of the location in relation to the individual's work and the quality of the facility and its amenities. This segment is generally less price-sensitive than is the other segment.

- Tourist - Composed mainly of transient and leisure travelers, this segment also includes visitors to Sturgeon Bay or Door County as a destination vacation spot, visitors to area residents, and various uncategorized sources of demand. This segment experiences most of its demand during the summer months and on non-work days during other times of the year. These travelers tend to be more price-sensitive than those in the commercial market segment, and to place a higher priority on amenities and the immediate environment.

PRESENT SUPPLY

Our analysis of the market revealed that nine properties are competitive, in varying degrees, with the proposed conference/lodging facility for present area demand. The locations of these properties are shown on the map on the facing page. Although there are numerous other lodging facilities in the area, they were considered not to be primary competitors because of their size, rate structure, location, lack of amenities, or overall quality. Some of these non-primary or secondary competitive properties included the Dun Roman Inn, considered secondary because of its quality, and the Nightengale, because of its size.

In addition to the pertinent data shown on the chart on the following page, a detailed description is provided below of each of the competitive lodging facilities:

CITY OF STURGEON BAY

COMPETITIVE LODGING SUPPLY

Property	Year built	Number of rooms	Number of months open	Posted rates Single	Posted rates Double	Facilities and amenities
King's Inn	1976	52	12	$22.50-$45.25	$35.00-$ 53.60	1,2,3,4
Orbit Resort	1935	63	12	$23.95-$54.95	$28.95-$110.00	1,4,5,6,7,8
Holiday Motel	N/A	18	12	$25.00-$36.00	$30.00-$ 48.00	7
Cherryland Motel	1940	13	12	$18.00	$26.00-$ 48.50	
Chal-A Motel	1977	20	12	$15.00-$25.00	$25.00-$ 30.00	9
Executive Motor Inn	N/A	21	12	$18.00-$25.00	$25.00-$ 35.00	7
Cliff Dwellers	1948	30	7	$39.00-$79.00	$69.00-$ 92.00	2,3,4,6,8
Stardust Motel	1963	11	12	$25.00-$38.00	$28.00-$ 52.00	8
Bay Shore Inn	1921	30	6	$36.00-$65.00	$65.00-$130.00	1,4,5,7,8
		258				

Facility and amenity key:

1 - Meeting rooms
2 - Specialty rooms
3 - Continental breakfast
4 - Game room
5 - Tennis
6 - Pool
7 - Restaurant
8 - Dock and sailing
9 - Attraction

N/A - Not available.

- King's Inn - this property is the most commercially oriented hotel in the Sturgeon Bay area. Its location on Business Route 42-57, at the south main entrance to Sturgeon Bay, proves advantageous in capturing highway-related demand. Its 52 rooms include seven featuring waterbeds. Other amenities and facilities at the property include a free Continental breakfast, as well as one meeting room that can accommodate 60 people. Its demand is estimated to be equally split between commercial and tourist travelers. The facility does not contain a restaurant.

- Orbit Resort - This property, formerly known as Leathem Smith Lodge, is located on Memorial Drive just off the Wisconsin Routes 42-57 bypass. The largest property in town, it is also one of the few that offers a wide spectrum of recreational amenities, including a pool, tennis courts and marina facilties. Historically, this property had been among the most popular in the area because of its extensive recreational amenities and the excellent reputation of its food and beverage operations. When utilizing all of the meeting facilities, including the main dining room, the property can accommodate up to 300 people at one time. Because of a lack of demonstrated marketing effort oriented toward groups and conferences, it is estimated that most of its demand remains tourist in nature.

- Holiday Motel - This property is located in downtown Sturgeon Bay. Although its physical plant is in need of renovation, it is estimated that the property is able to operate at some of the highest occupancy percentage levels within the competitive market because of its location near downtown and the small number of rooms (18). It also contains a small breakfast bar. The Holiday does not have any meeting-room facilities or additional amenities. It is estimated that over half of its guests are commercial travelers, and the rest are tourists.

- Cherryland Motel - This property, located on Wisconsin 42-57 immediately before the entrance to Sturgeon Bay, currently has 13 units (seven motel rooms and six cottage units). Although not providing any other amenities for guests at this time, the property is currently adding 14 additional motel rooms and a 1,000-square-foot meeting/recreation area. Because of its highway location, the property is attractive to both commercial and tourist travelers. It is estimated that approximately 40% of its demand is commercial, with the remaining 60% considered tourist.

- Chal-A Motel - This property, located on Wisconsin 42-57 at Egg Harbor Road, two miles north of Sturgeon Bay, is the newest within the competitive market; it opened in 1977. Although there are no food and beverage facilities or meeting rooms to support its 20 rooms, the motel does feature the "Land of Make Believe". This attraction is a collection of over 500 Marshall Field's window mechanicals. In addition, there are thousands of antique dolls and toys in historical and various other settings. It is estimated that commercial demand composes 35% of total captured demand; the remainder is considered tourist in nature.

- Executive Motor Inn - This property, open throughout the year, is located in downtown Sturgeon Bay. In addition to its 21 rooms, there is a 40-seat restaurant. Although its facilities are in need of upgrading and renovation, the property is able to attract demand because of its location near both downtown and the shipyards. It is estimated that its demand is split 45% commercial and 55% tourist.

- Cliff Dwellers - This property is located at the southwest city limits of Sturgeon Bay, beside the Bay and near Potawatomi State Park. Its 30 units (16 rooms and 14 cottages) attract visitors because of its picturesque location and secluded setting. The property offers no food and beverage or meeting room facilities other than a free Continental breakfast. It does not offer marina facilities or a swimming pool. Open from April through October, the property's demand is 100% tourist.

- Stardust Motel - This property, originally opened in 1963, is located on Memorial Drive adjacent to the Orbit Resort. Its waterfront location attracts guests of both a commercial (15%) and a tourist (85%) nature. Although it does not have any food and beverage or meeting room facilities, it does offer its guests marina and pier availability.

- Bay Shore Inn - Originally built in 1921, this resort is located along the bay three miles north of the city of Sturgeon Bay. Open from May 7 to October 20 each year, the property contains 30 units and the full spectrum of amenities, including meeting rooms, game rooms, tennis courts, a restaurant, and sailing facilities. Although the two meeting rooms can accommodate up to 100 people, the property does not currently do any substantial amount of group business. All of the demand currently accommodated, most of it repeat business each year, is tourist in nature.

The foregoing properties comprise the primary competition for the demand to be sought by the proposed conference/lodging facility. Each of these properties would compete for the commercial and tourist market segments now being accommodated in Sturgeon Bay, albeit to varying degrees.

FUTURE SUPPLY

In addition to the 14-room addition to the Cherryland Motel, which is expected to open by 1984, there have been several proposed additions to the current supply of lodging facilities in Sturgeon Bay. Both the King's Inn and the Stardust Motel are considering additions. However, neither property's plans have been finalized at this time and have therefore not been included in our analysis.

More importantly, the Orbit Resort has taken under consideration a potential addition. Although nothing has been formally announced, the project is expected to include an additional 120 to 200 rooms, additional meeting rooms and enclosure of the present outdoor pool. However, because no financing has been arranged as of this date and no firm construction start date has been announced, we have not taken this addition to be part of the future competitive supply for purposes of our analysis. Therefore, aside from the proposed conference/lodging facility and the addition to the Cherryland Motel, we have considered no other additions to or deletions from the competitive market. If other changes in the supply of lodging accommodations occur in the future, they may have a material effect on our projections. Therefore, under the two scenarios being considered, the future supply of competitive properties is expected to be as follows:

	Scenario A	Scenario B
Existing supply	258	258
Future additions:		
Cherryland Motel	14	14
Proposed conference/ lodging facility	100	80
	372	352

PRESENT DEMAND

The competitive area's overall market occupancy, factoring in seasonal closing within the competitive supply for 1982, was estimated to be approximately 47%. This represents approximately 39,800 occupied rooms.

The total present demand was analyzed by differing time periods to reflect the seasonal fluctuations among the various market segments. The seasonal designations consist of summer (June 15 to October 15), shoulder (May 1 to June 15, October 16 to November 30) and winter (December 1 to April 30). Information used in arriving at these estimates was obtained from interviews with the management of the competitive properties and from our knowledge of lodging patterns in the area. The 1982 competitive demand by market segment was estimated to be as follows:

1982 ESTIMATED ROOM-NIGHT DEMAND

	Length (days)	Commercial	Tourist	Total
Winter	151	5,000	2,100	7,100
Shoulder	92	4,700	3,600	8,300
Summer	122	2,600	21,800	24,400
	365	12,300	27,500	39,800
Percentage of total		30.9%	69.1%	100.0%

FUTURE DEMAND

The future demand for transient lodging facilities in Sturgeon Bay is a function of present demand and growth rates associated with that demand. The consistent patterns of growth exhibited in this area are expected to continue. From the trends of economic indicators, as presented in the Market Area Analysis section of this report, and their impact on lodging demand, we have estimated future annual growth rates by competitive market segment for the term of our projections. These growth rates and projected future demand are as follows:

Market segment	Projected annual room-night demand growth rate
Commercial	2.0%
Tourist	2.5%

PROJECTED ROOM-NIGHT DEMAND

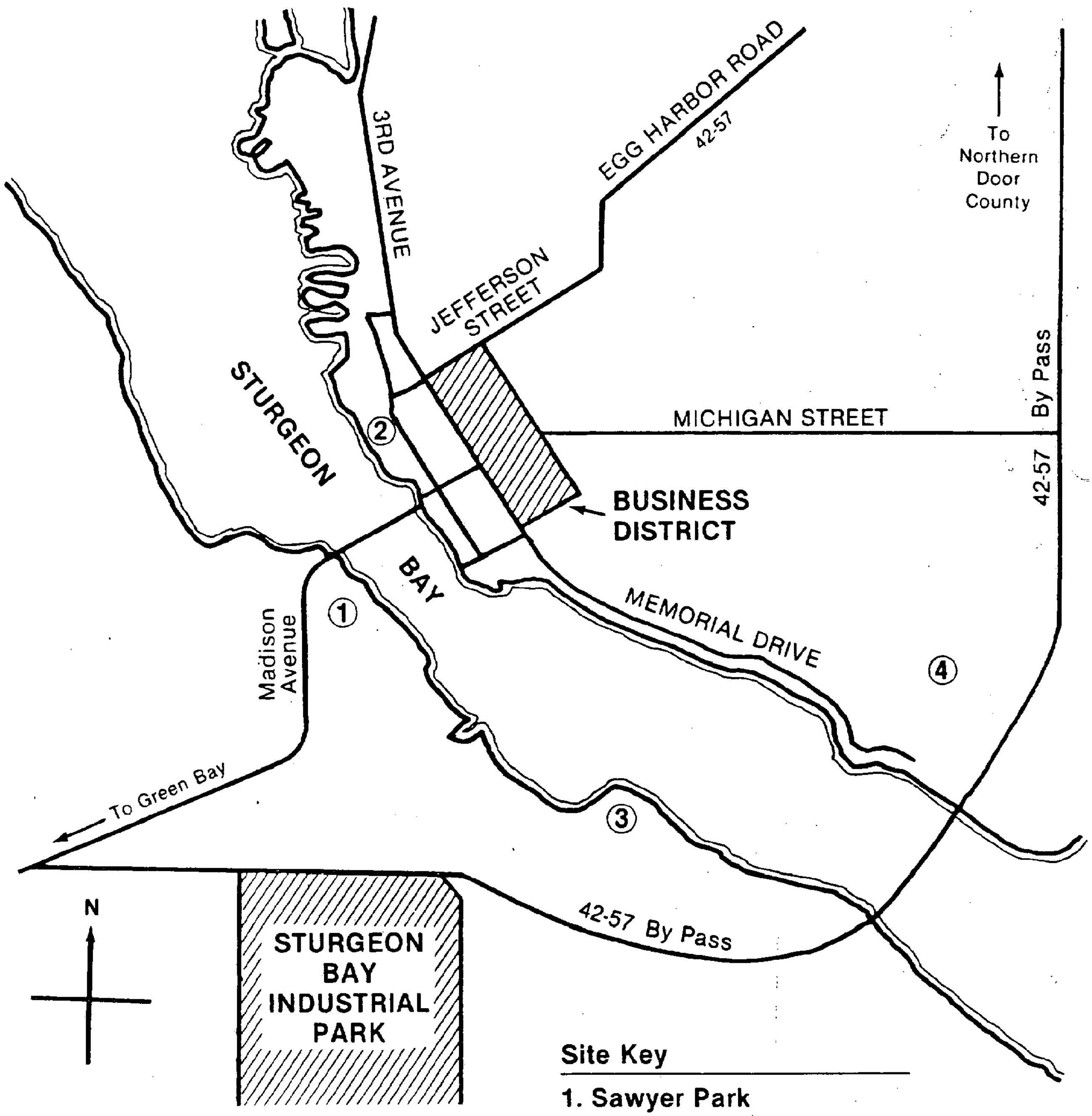
Market segment	1985	1986	1987	1988	1989
Commercial	13,100	13,300	13,600	13,900	14,100
Tourist	29,600	30,400	31,100	31,900	32,700
	42,700	43,700	44,700	45,800	46,800

SITE ANALYSIS

GENERAL

As described earlier in this report, one aspect of the scope of our analysis has included an evaluation of the various potential sites within the Sturgeon Bay area for their suitability for the development of the proposed conference/lodging facility. The characteristics of a site play an important role in determining the success of this type of venture. In general, site characteristics influence the choice of market segments which the property can effectively seek and its competitive position in meeting the needs of these segments. The following analysis describes four potential sites and presents information concerning those factors that would have a major impact on the use of each of these sites for the proposed project.

Proposed Conference/Lodging Facility
Sturgeon Bay, Wisconsin
Site Map



Site Key

1. Sawyer Park
2. Old Lampert Lumberyard
3. Peterson Builders
4. Orbit

DESCRIPTION OF THE POTENTIAL SITES

On the basis of our interviews with various city and county officials, it was determined that there are four potential sites within the Sturgeon Bay area which should be analyzed for the proposed project. Those sites, which are shown on the map on the facing page, are described in greater detail below:

- The Sawyer Park area is located in the southwest portion of Sturgeon Bay known locally as the "West Side". The site referred to here actually includes four individual parcels, either of which would be appropriate for development of a lodging/conference facility. These parcels include the following:

  - Roen Salvage
  - Sawyer Park (proper)
  - Door County Coop
  - West Side Dock

  The entire area surrounding the subject parcels is mainly residential in nature with a commercial strip along Madison Avenue, the principal arterial street of the West Side.

  To the north of the land parcels is the bridge that is the main point of entry into the Sturgeon Bay CBD from the West Side. The bridge is adjacent to the West Side Dock and Door County Coop parcel. The Sturgeon Bay Yacht Club is to the south of the Roen site.

  The Sawyer Park site proper is directly north of the Roen site and south of the Coop and Dock.

- The Old Lampert Lumberyard site is located at the "East Side" of Sturgeon Bay directly north of the bridge linking the East Side and the West Side. The site is currently occupied by a variety of buildings including private residences, small boathouses, and offices including those of the Department of Natural Resources. Located to the north of the site are the headquarters of R.A. Stearn, Inc., Naval Architects and Marine Engineers. Northeast of the site is the downtown business district of Sturgeon Bay. In addition to its prime waterfront location, the chief attraction of this site is its proximity to downtown. The East Side of Sturgeon Bay has the most significant concentration of commercial activity, as well as a sizable portion of the City's industrial base, most notably the waterfront plants of local shipbuilders.

- The Peterson Builders, Inc. (PBI), site is located just north of the 42-57 Bypass along the Bay near Purves Lagoon. The site is currently vacant. Its chief attraction is its location near the Sturgeon Bay Industrial Park located between Lansing Avenue and Shiloh Road south of the 42-57 Bypass.

- The Orbit site is located on vacant land adjacent to the Orbit Resort. The chief attractions of this site are its relatively easy access from the 42-57 Bypass and the synergy that would result from having the two largest lodging facilities in the area near to each other.

Each of these four sites has its own competitive advantages and disadvantages. However, on the basis of our survey of Wisconsin meeting planners and the current real estate financing environment, the PBI and Orbit sites have been eliminated from further analysis. Our survey indicated that unless the group were to be meeting at an isolated resort, the overwhelming preference would be for a downtown location near an activity center. In addition, we know from our experience that the lending industry has drastically limited its funds for lodging facilities with highway locations, such as the PBI and Orbit sites. Therefore, we will further analyze only the Sawyer Park area and Lampert sites.

LOCATION

Both of these sites enjoy relatively good locations. The chief factor for each is its waterfront location, which appears to be a key to any successful development in Sturgeon Bay. The Lampert site achieves some advantage because of its proximity to the downtown business district, while the Sawyer area is near both the Sturgeon Bay Yacht Club and the proposed additional marina facilities on the West Side.

ACCESSIBILITY

Accessibility to the downtown area is very good. The major traffic route through Sturgeon Bay, Routes 42-57, cuts right through the downtown area and runs adjacent to each of the two potential sites. Although neither site is directly accessible from 42-57, adequate use of signs would sufficiently meet the needs of the marketplace.

VISIBILITY

Both sites enjoy excellent visibility. This is primarily the result of their waterfront locations. Both would be very visible from the bridge connecting the West Side to the East Side of Sturgeon Bay. While the Lampert site may enjoy an advantage because of its visibility as visitors enter Sturgeon Bay, the Sawyer Park area would enjoy excellent visibility from Memorial Drive, another major thoroughfare in the city.

SUMMARY

It is clear that the proposed project should be located near the downtown area. However, we believe that it would be in the best interests of the City to decide jointly with the project developer on the final location. This would add greater flexibility to the project and would increase its probability of becoming a reality.

FACILITIES RECOMMENDATIONS

GENERAL

In recent years, the convention industry has experienced rapid growth, reflecting the increasing affluence of both individuals and companies, growth in trade and professional associations, and technological innovations which have continually created the need for forums to exchange information and display new products. In addition, the trade show is becoming an invaluable sales tool, as the rising costs of travel are making the individual sales call a more expensive means of doing business.

The growth in demand for convention and exhibit facilities has been dynamic, and consequently, cities across the country, as well as in Wisconsin, have been building new convention and exhibit centers or expanding their existing facilities to increase their capacities to accommodate this demand.

The major reasons for the construction of new centers and the expansion of existing ones are not only to capture large single-user conventions and exhibits but also, more importantly, to hold conventions simultaneously and to accommodate ongoing conventions during the setup and tear-down periods of other functions.

This enables the convention facilities to maximize their share of the marketplace, thereby increasing the benefit to the community in which they are located.

Accordingly, the proposed conference center must be designed in a manner which gives it the flexibility to accommodate large exhibits/conventions or to hold smaller ones simultaneously.

On the basis of our knowledge of the present and potential markets available to the proposed conference/lodging facility, our review of the present competitive facilities and the future needs of the market, and on the basis of our survey of Wisconsin meeting planners and their requirements, we recommend the following facilities:

Guest rooms		100 (Scenario A) 80 (Scenario B)
		Number of seats
Food and beverage facilities (both scenarios):		
Restaurant (open for breakfast, lunch and dinner)		125 -150
Entertainment lounge		75
		Square feet
Meeting space (both scenarios):		
Ballroom/exhibit space		4,000
4 mid-size meeting rooms	(each)	750
3 small meeting rooms	(each)	250

Other amenities (both scenarios):
- Indoor pool
- Health club facilities

GUEST ROOMS

Under either scenario, the property should be affiliated with a national or regional lodging chain or with a national referral system. The rooms should be of first-class quality. They should include several parlor or hospitality suites, a certain number of rooms with king-sized beds, and a majority of rooms with two double beds. The parlor suites should have the capability of conversion to bedroom units. In order to accommodate the commercial and group segments properly, it is recommended that guest-room furniture and lighting be placed so as to allow the guests the flexibility to work in their rooms.

FOOD AND BEVERAGE FACILITIES

Quality food and beverage facilities in the city, especially to serve the luncheon business of the local business community, appear to be in short supply. The food and beverage facilities should be planned accordingly, so as to serve both in-house guests and local patrons. We believe that the following preliminary configuration of food and beverage facilities would meet the needs of the market:

- Restaurant - This outlet should seat approximately 125 to 150 people. It should be open for breakfast, lunch and dinner, and have a menu and decor designed to meet the needs of the market as described above.
- Entertainment lounge - This 75-seat lounge should be so located as to be easily accessible and visible to both in-house and local patrons. It should have facilities of sufficient flexibility to allow for either live or recorded entertainment.

MEETING-ROOM FACILITIES

The proposed meeting-room facilities were determined from the usage patterns expected by both local and out-of-town groups. The facility should consist of the following:

- Ballroom/exhibit space of 4,000 square feet capable of seating 400 banquet-style. This space should be constructed so as to be divisible, in order to maximize space when multiple banquets, exhibitions and the like are being conducted.
- Four mid-size meeting rooms with a capacity of 75 banquet-style. These rooms should be capable of combination into one or two larger units.

- Three small meeting rooms, each seating 25 people banquet-style. Two of these rooms should be capable of joining together to form one larger unit, while the third room should be designed as a permanent boardroom.

OTHER AMENITIES

The proposed conference/lodging facility is expected to offer such first-class amenities as an indoor swimming pool and health-club facilities (sauna, whirlpool and exercise rooms).

CONFERENCE FACILITY UTILIZATION

GENERAL

This section of the report describes the various criteria used by meeting planners in selecting a meeting site, their relative priority among meeting planners, and the market penetration rates that could be achieved by Sturgeon Bay. From these analyses we project future utilization levels for the proposed Sturgeon Bay facility, including number of events, number of event days, number of hotel room-nights and number of hotel visitors created by the proposed facilities. In addition, we project the future utilization levels of the proposed facility by local groups for local functions not generating room-nights.

SITE SELECTION CRITERIA

Our survey of Wisconsin meeting planners revealed that the following factors, listed in order of priority, were considered the most important in the choice of a meeting site:

Size and quality of meeting facilities
Quality of food service
Headquarter hotel room commitment
Delegate living costs
Available hotel rooms
Convenience to other transportation (not airplane)
Distance from individual attendees
Availability of exhibit space
Membership density
Number and size of hotel suites

Although there are other criteria considered by meeting planners, those listed above are the most important.

MARKET PENETRATION

The projected penetration of future demand by Sturgeon Bay's proposed facility is a function of its "fair share", or its proportionate share of demand relative to the competitive cities, and its ability to satisfy the site selection criteria listed above.

Among the site selection criteria, those in which the proposed Sturgeon Bay facility is expected to have its largest competitive advantages are the size and quality of its meeting room facilities (especially in comparison with other hotels of its size) and the quality of its food service. Both are the result of the expected first-class nature of the facility. In addition, delegate living costs are considered to be an advantage of the proposed property because of the lower non-peak-season hotel rates that exist and are expected to continue to exist in Sturgeon Bay and Door County vis-a-vis the remainder of Wisconsin. Those factors which will result in the greatest disadvantages for Sturgeon Bay are its limited number of overflow hotel rooms within walking distance of the proposed facility and the relative distance from the major population centers such as Milwaukee and Madison.

Based on an analysis of Sturgeon Bay's competitive position in the market, a stabilized penetration rate in 1987 is projected to be approximately 9.4% of its penetrable demand. The rate was reduced during the first two years of the projection period to reflect start-up and acceptance. This rate will be eventually achieved through marketing efforts. The projected penetrations reflect the character and quality of the proposed facility and are contingent on management's ability and on the proper promotion of the proposed project.

PROJECTED UTILIZATION

Estimates of the projected utilization of the proposed conference facility were made from our analysis of present demand, its anticipated future rate of growth, and the projected penetration rate for Sturgeon Bay. These projections are derived from the expected average number of hotel rooms per meeting and the average length of meeting as provided by our survey of meeting planners. In addition, total delegate days were projected using an expected double occupancy factor of 40%. The projected utilization of the proposed conference facility is presented in the following table:

Year	Projected room-nights captured	Projected number of delegate days	Projected event days	Projected events
1985	4,600	6,400	46	23
1986	5,400	7,600	54	27
1987	6,200	8,700	62	31
1988	6,500	9,100	65	32
1989	6,800	9,500	68	34

LOCAL UTILIZATION

As previously described, the Sturgeon Bay area currently has a shortage of quality public rooms suitable for banquets and public functions. On the basis of our discussions with existing facilities (restaurants, public space, etc.) currently in Sturgeon Bay, and our other interviews with various demand generators, we have estimated that there is a potential of approximately 200 functions per year with an average attendance of 50 people. Because of the expected high quality of the public space at the proposed facilities, we have projected that the proposed facility would capture a portion of the existing market, as well as those functions now being turned away to Green Bay. The projected capture of local events is presented below for the projection period:

Year	Projected capture of local events
1985	80
1986	90
1987	100
1988	110
1989	120

The projected penetation rate is expected to stabilize at that projected for 1989.

This results in the total number of event days (local and nonlocal) at the meeting facilities to be as follows:

Year	Event days
1985	126
1986	144
1987	162
1988	175
1989	188

HOTEL UTILIZATION AND RATE ANALYSIS

GENERAL

This section of the report discusses future penetration and utilization levels for the lodging portion of the proposed conference/lodging facility. These levels are projected for two different scenarios. In addition, projections of average daily room rates are presented for each scenario. Those two scenarios are described below:

- Scenario A would feature a first-class property with 100 rooms and a national or regional affiliation (on either a franchise or a management contract basis).
- Scenario B would feature a first-class property with 80 rooms and a national or regional affiliation (on a referral basis only because of the limited size).

MARKET PENETRATION

The proposed property's projected penetration of the lodging market, which is that portion of the future room-nights for each market segment that the facility is expected to capture, was determined by an analysis of both the property's "fair share" and its ability to meet certain criteria which typically influence a potential guest's choice of a lodging facility. The "fair share", or proportionate share of demand, is determined by considering the number of rooms at the subject property (100 under Scenario A or 80 under Scenario B) as a percentage of the total projected future supply of rooms. This "fair share" is adjusted seasonally to account for those properties in Sturgeon Bay that are open only on a seasonal basis.

Some of the factors which influence a potential guest's choice of property include location, quality of facilities, amenities offered, available meeting room facilities, rate structure, affiliation and reservation system, and the property's accessibility. To determine the proposed property's levels for each scenario, we analyzed the ability of the proposed property to satisfy those factors effectively, as compared with the other properties in the competitive market.

For the commercial market segment, the strongest competitive advantage comes from being the first property in the area to have a national or regional affiliation, with its accompanying reservation system. This advantage is expected to be much greater under Scenario A than for Scenario B, as the larger size under Scenario A would increase its chances to become part of an actual national or regional chain, as opposed to being only part of a referral system, as would be expected under Scenario B. The other competitive advantages expected in this market segment, for both scenarios, include its non-highway location which is close to demand generators, the expected high quality of its facilties, and the full range of amenities expected to be offered. Its primary competitive disadvantage is its rate structure, expected to be at the high end of the existing Sturgeon Bay market.

The average rates of many of the first-class properties located in the cities deemed as being competitive vary from $40 to the mid-$60's as stated in today's dollars. While the proposed property's overall average rate is in the area of $45, stated in today's dollars, its non-season average rate is far below this and, accordingly, below many of its competitors within the state. Therefore, in capturing the group market segment, which will be new to the area, the proposed property should have a significant advantage over many of the other properties in the state.

Its competitive advantages in the tourist segment, although of a lesser import than in the commercial segment, focus primarily on its affiliation and the expected high quality of facilities and the extent of amenities. Its competitive disadvantages include its expected rate structure relative to other Sturgeon Bay properties and its reduced accessibility and visibility from its expected downtown location, in relation to Wisconsin 42-57 Bypass.

The analysis outlined above was applied to each market segment under each scenario in order to determine achievable market penetration rates of the proposed project. Each segment places its own priorities upon the criteria mentioned above; thus, the projected penetrations vary among the market segment.

Stabilized penetrations of the market segments by the proposed property are expected to occur in the third year of operation. They are projected for each scenario as follows:

	Projected stabilized penetration	
	Scenario A (100 rooms)	Scenario B (80 rooms)
Commercial	34.1%	27.0%
Group (created)*	95.0%	85.0%
Tourists	27.2%	22.4%

*Group demand is referred to as created demand since it is comprised of demand which has never met in the area before because of a lack of meeting and adequate lodging facilities.

These projections were reduced during the first two years to reflect acceptance lead time. These penetrations reflect the character and quality of the proposed facilities and are contingent on management's ability and on the proper promotion of the proposed project.

PROJECTED UTILIZATION

Estimates of the expected utilization of the proposed property were made from our analysis of present demand, its anticipated future rate of growth, created demand caused by the development of the proposed facilities, and the projected penetration of future demand. As a result of our analysis, we project the likely levels of occupancy for the first five years of operation of the property, for both Scenario A and Scenario B, as follows:

	Projected level of occupancy	
Year	Scenario A (100 rooms)	Scenario B (80 rooms)
1985	55%	58%
1986	58	63
1987	61	66
1988	62	69
1989	63%	70%

These projections also assume that the property under both scenarios will operate at an occupancy level near capacity during the summer season to reflect the extensive tourist activity in the Sturgeon Bay and Door County areas.

The increased occupancies between 1985 and 1987 reflect the proposed property's increased penetration of the market, as well as the growth rates involved in all segments of the market. The increase in occupancy from 1987 to 1989 reflects only the growth in the market, as penetrations are expected to stabilize in 1987.

These projections assume that the future supply of rooms will be as projected, and that the proposed property will be competently managed. Should either of these conditions not occur, a material change in these projections could result.

PUBLISHED RATES

We have analyzed the rate structure of the competitive properties in light of the type and quality of the facilities and amenities offered. As a result of these analyses, we have projected that the proposed hotel should offer the following published rates, expressed in 1983 dollars:

Single: $30-$50

Double: $40-$60

The wide range in those published rates is to account for the highly seasonalized demand in the Sturgeon Bay market. It is assumed that special rates will be available to preferred commercial customers and to a large percentage of the group markets. In addition, a portion of the tourist market would enjoy discounts through weekend packages. Furthermore, it is expected that the proposed property will need to provide larger discounts to the group market during the initial operating years because of the need to gain market acceptance for the project. As the property achieves acceptance in the market (third full year), the discounting policy should be adjusted accordingly.

AVERAGE RATE

On the basis of the recommended rate structure, the expected double occupancy generated by each segment of the market, the anticipated composition of occupancy, and estimates of discounts offered to certain portions of the demand, we project the following average rates per occupied room to be the same for each scenario, as follows:

Year	Projected average rate (stated in inflated dollars)
1985	$51.25
1986	54.50
1987	58.50
1988	62.50
1989	$66.75

Stated in 1983 dollars, the average rate is betweeen $44 and $45. On the basis of historical trends of growth in average rates in the Sturgeon Bay area and our research into nationwide growth trends, a 7% inflation factor was applied to 1983 rates in order to estimate future-year dollars.

FINANCIAL PROJECTIONS

GENERAL

Projections of operating revenues and expenses for both the conference and the lodging facility were prepared on the basis of the projected levels of occupancy developed for each facility in the Market Penetration and Utilization section in this report. These projections, for both Scenario A and Scenario B, are presented at the end of this section of the report.

These projections are carried to the level of cash flow before debt service, which represents funds available for the payment of the following:

Debt Service
Income taxes
Return on equity

The financial projections are stated in inflated dollars and are rounded to the nearest thousand. The rates of inflation are assumed to vary among different income and expense categories; they are based on recent industry experience and governmental, economic, business and area indices and forecasts. The rates of inflation used range from 7% to 9%. Revenues are projected to inflate at 7% per year and within the expense categories, payroll figures were inflated at 8% annually and "other" expenses at 7%. Energy costs reflect 9% annual inflation.

CONFERENCE FACILITY

Rent

Rent revenue is based on the anticipated use of space, by type of event, utilization and an average rental rate in 1983 constant dollars of $126.50 per event day.

Food and Beverage Commission

Banquet revenue for the hotel complex, assuming exclusive catering privileges, was estimated from anticipated check averages and patronage by both in-house and local clientele. Food and beverage commission for the conference center is projected on the basis of 10% of banquet food revenue and 20% of banquet beverage revenue.

Equipment Rental and Miscellaneous Revenue

Equipment rental (including audiovisual) and miscellaneous revenue are based on the experiences of similar types of facilities.

Supplies

Cost of supplies is estimated from historical revenue and cost relationships at similar types of facilities.

Administrative and General

This classification includes expenses incurred in the general management of the conference facility. It does not include a provision for a management fee. It was determined based on the expected level of involvement in the conference facility by the lodging facility management.

Marketing

This classification includes expenses, both payroll and other, incurred for the proper promotion of the conference facility. It was determined on the basis of the expected level of involvement in the conference facility by personnel of the lodging facility.

Property Operation and Maintenance

These projections are based on the experiences of similar types of facilities and reflect the desire to maintain the facility properly throughout its entire economic life. It also reflects the expected size of the conference facility proportionate to the lodging facility.

Energy

Energy costs are estimated on the basis of historical cost-to-space relationships at similar types of facilities in the northern temperate zone. The projections reflect the utilization of the proposed facility and are also based on the expected size of the conference facility relative to the lodging facility.

Insurance

Insurance expense is projected on the basis of the historical experiences of similar types of properties and are allocated based on the expected size of the conference facility proportionate to the lodging facility.

LODGING FACILITY

Financial projections were prepared under both Scenario A (100 rooms) and Scenario B (80 rooms).

Rooms Revenue

Guest-room revenue for both scenarios was estimated from projected utilization and the projected average rate per occupied room. The projected average rates reflect the anticipated degree of double occupancy, seasonality of demand, market-segment penetrations and room-rate discounts. Inflated average rates were based on a single rate of $30 to $50 and a double occupancy rate of $40 to $60, stated in 1983 dollars. The rate spread demonstrates the range between "in-season" summer rates and off-season rates.

Food and Beverage Revenue

Food and beverage sales projections for both scenarios are based on estimated check averages and levels of in-house guest and local utilization. Check averages are estimated from menu prices at competing properties and from similar properties elsewhere. The number of patrons is based on projected use of the facility by hotel guests and by members of the local community.

Telephone Revenue

Revenue from this department for both scenarios was based on the experience of similar types and sizes of properties. It includes both guest-room telephone utilization and pay-phone commissions. Revenue is expected to vary with the occupancy of the hotel and is estimated to be about 4.5% of room sales. The projections assume proper control and charging procedures under the recently introduced government regulations.

Rentals and Other Revenue

Revenue from store rentals and other sources (for both scenarios), including guest valet, laundry, vending machines, commissions and cash discounts is projected net of expenses. This revenue is estimated to be about 1.7% of room sales.

Rooms Department Expenses

Rooms department expenses include payroll for desk personnel, maids and housemen, in addition to rooms supply costs such as linen, laundry and papers. These expenses are estimated from historical costs per unit of revenue at similar properties and range from about 24.0% of departmental sales in the first year to 22.3% in the fifth year under Scenario A, and from 24.4% of departmental sales in the first year to 21.9% in the fifth year under Scenario B.

Food and Beverage Department Expenses

This category comprises food and beverage product costs, departmental payroll, other direct operating expenses, and commissions to the conference facility for the catering concession. Estimates of food and beverage expenses are based on data from comparable operations and range for Scenario A from 84.2% of hotel food and beverage revenues in the first operating year to 81.8% in the fifth. For Scenario B, estimated food and beverage expenses range from 84.7% of hotel food and beverage revenues in the first operating year to 81.2% in the fifth. Estimates for the first year take into consideration the start-up inefficiencies at the facility.

Telephone Department Expenses

These expenses are determined by comparison with the telephone department expenses of similar facilities. These expenses range from 102% of telephone sales in the first operating year to 100% in the fifth for Scenario A, and from 103% in the first to 100% in the fifth for Scenario B.

Administrative and General Expenses

This classification includes management and administrative payroll, accounting and legal fees, general insurance, bad debts, licenses and dues, travel and entertainment expense, printing expense, credit card commissions and other expenses incurred for the general management of the property. It also takes into account an allocation of expenses to the conference facility. This estimate does not include a contract management fee.

Marketing Expense

This expense is estimated from the experience of similar types of properties. It reflects a portion of fixed costs, in addition to variable costs based on the property's utilization. An aggressive, well-trained staff and an extensive marketing program are assumed in order to attain the group sales projected. No amount has been included for franchise fee or expenses. It also takes into account an allocation of expenses to the conference facility.

Property Operation and Maintenance Costs

This category includes all of the operations, repairs and maintenance of the physical plant for the hotel. It is based on the experience of properties of similar size, utilization and construction located in the same region of the northern temperate zone, and it reflects the desire to maintain the property throughout its entire economic life. It also takes into account an allocation of expenses to the conference facility.

Energy Costs

Projected energy costs reflect recent developments affecting the cost of fuels and electricity, as well as those that may reasonably be expected to occur in future years. Accordingly, energy costs have been inflated at a rate of 9%. This category also takes into account an allocation of expenses to the conference facility.

Management Fee

A contract management fee for both scenarios is projected on the basis of 4% of total revenues.

Property Taxes

Property taxes are projected on the basis of estimated construction costs and Sturgeon Bay's current real estate tax assessment formula and millage rate. This expense was inflated at 8% per year. It also reflects that portion of the facility allocated to the conference facility, which is assumed to be tax-exempt.

Insurance

Insurance expense is projected on the basis of the historical experiences of similar types of properties. This expense was inflated at 8% per year and reflects the proportionate sizes of the lodging and conference facilities.

Reserve for Replacement

In order to ensure that the property is maintained properly throughout its useful economic life, a charge of 2% of hotel sales is projected to fund the replacement of furniture, fixtures and equipment. This projection was based on industry practices.

CONSOLIDATED STATEMENTS OF CASH AFTER FIXED CHARGES

Consolidated statements of cash after fixed charges for the proposed conference/lodging facility are also presented at the end of this section of the report for both Scenario A and Scenario B. Except for the netting of food and beverage commission income and expense, these statements are combinations of the individual statements.

CITY OF STURGEON BAY

PROPOSED CONFERENCE/LODGING FACILITY

CONSOLIDATED STATEMENT OF PROJECTED CASH FLOW BEFORE DEBT SERVICE

FIVE YEARS ENDING DECEMBER 31 1985 THROUGH 1989

SCENARIO A
(Stated in thousands of inflated dollars, except average rate)

	Year of operation				
	1985	1986	1987	1988	1989
Revenues:					
Rooms	$1,029	$1,154	$1,303	$1,414	$1,535
Food and beverage	1,250	1,383	1,529	1,659	1,799
Telephone	46	52	58	64	69
Meeting room rental	18	22	27	31	36
Other income	17	20	22	24	26
Equipment rental	2	2	3	3	4
Miscellaneous	1	1	1	2	2
	2,363	2,634	2,943	3,197	3,471
Departmental costs and expenses:					
Rooms	247	269	294	317	343
Food and beverage	1,005	1,098	1,198	1,295	1,402
Telephone	47	52	58	63	69
Meeting room supplies	1	1	1	1	1
	1,300	1,420	1,551	1,676	1,815
Gross operating income	1,063	1,214	1,392	1,521	1,656
Undistributed operating expenses:					
Administrative and general	177	192	207	224	242
Marketing	124	134	144	155	167
Energy costs	92	102	111	121	133
Property operation and maintenance	93	102	110	119	127
	486	530	572	619	669
Cash available before fixed charges	577	684	820	902	987
Fixed charges:					
Management fee	94	104	116	126	137
Property taxes	57	61	66	72	77
Insurance	13	14	15	16	17
Reserve for replacement	47	52	58	63	69
	211	231	255	277	300
Cash flow before debt service	$ 366	$ 453	$ 565	$ 625	$ 687
Occupancy percentage	55%	58%	61%	62%	63%
Occupied rooms	20,100	21,200	22,300	22,600	23,000
Average rate	$51.25	$54.50	$58.50	$62.50	$66.75

The notes and assumptions contained in this report are an integral part of these financial projections.

CITY OF STURGEON BAY

PROPOSED CONFERENCE FACILITY

STATEMENT OF PROJECTED CASH FLOW BEFORE DEBT SERVICE

FIVE YEARS ENDING DECEMBER 31, 1985 THROUGH 1989

SCENARIO A
(Stated in thousands of inflated dollars)

	Year of operation				
	1985	1986	1987	1988	1989
Revenues:					
Rent	$ 18	$ 22	$ 27	$ 31	$ 36
Food and beverage commissions	48	54	59	64	70
Equipment rental	2	2	3	3	4
Miscellaneous revenue	1	1	1	2	2
Total revenues	69	79	90	100	112
Expenses:					
Supplies	1	1	1	1	1
Administrative and general	12	14	15	16	17
Marketing	63	68	73	79	85
Property operation and maintenance	16	17	19	20	22
Energy	16	17	19	21	23
Insurance	2	2	3	3	3
Total expenses	110	119	130	140	151
Cash flow before debt service	($ 41)	($ 40)	($ 40)	($ 40)	($ 39)

The notes and assumptions contained in this report are an integral part of these financial projections

CITY OF STURGEON BAY

PROPOSED LODGING FACILITY

STATEMENT OF PROJECTED CASH AVAILABLE BEFORE DEBT SERVICE

FIVE YEARS ENDING DECEMBER 31, 1985 THROUGH 1989

SCENARIO A
(Stated in thousands of inflated dollars, except average rate)

	Year of operation				
	1985	1986	1987	1988	1989
Revenues:					
Rooms	$1,029	$1,154	$1,303	$1,414	$1,535
Food and beverage	1,250	1,383	1,529	1,659	1,799
Telephone	46	52	58	64	69
Retail and other, net	17	20	22	24	26
	2,342	2,609	2,912	3,161	3,429
Departmental costs and expenses:					
Rooms	247	269	294	317	343
Food and beverage	1,053	1,152	1,257	1,359	1,472
Telephone	47	52	58	63	69
	1,347	1,473	1,609	1,739	1,884
Gross operating income	995	1,136	1,303	1,422	1,545
Undistributed operating expenses:					
Administrative and general	165	178	192	208	225
Marketing	61	66	71	76	82
Energy costs	76	85	92	100	110
Property operation and maintenance	77	85	91	99	105
	379	414	446	483	522
Cash available before fixed charges	616	722	857	939	1,023
Fixed charges:					
Management fee	94	104	116	126	137
Property taxes	57	61	66	72	77
Insurance	11	12	12	13	14
Reserve for replacement	47	52	58	63	69
	209	229	252	274	297
Cash flow before debt service	$ 407	$ 493	$ 605	$ 665	$ 726
Occupancy percentage	55%	58%	61%	62%	63%
Occupied rooms	20,100	21,200	22,300	22,600	23,000
Average rate	$51.25	$54.50	$58.50	$62.50	$66.75

The notes and assumptions contained in this report are an integral part of these financial projections.

CITY OF STURGEON BAY

PROPOSED CONFERENCE FACILITY

STATEMENT OF PROJECTED CASH FLOW BEFORE DEBT SERVICE

FIVE YEARS ENDING DECEMBER 31, 1985 THROUGH 1989

SCENARIO B
(Stated in thousands of inflated dollars)

	Year of operation				
	1985	1986	1987	1988	1989
Revenues:					
Rent	$ 18	$ 22	$ 27	$ 31	$ 36
Food and beverage commissions	45	50	54	60	65
Equipment rental	2	2	3	3	4
Miscellaneous revenue	1	1	1	2	2
Total revenues	66	75	85	96	107
Expenses:					
Supplies	1	1	1	1	1
Administrative and general	12	14	15	16	17
Marketing	59	63	68	73	79
Property operation and maintenance	18	20	22	23	25
Energy	17	19	21	23	26
Insurance	2	2	2	3	3
Total expenses	109	119	129	139	151
Cash flow before debt service	($ 43)	($ 44)	($ 44)	($ 43)	($ 44)

The notes and assumptions contained in this report are an integral part of these financial projections.

CITY OF STURGEON BAY

PROPOSED LODGING FACILITY

STATEMENT OF PROJECTED CASH AVAILABLE BEFORE DEBT SERVICE

FIVE YEARS ENDING DECEMBER 31, 1985 THROUGH 1989

SCENARIO B
(Stated in thousands of inflated dollars, except average rate)

	Year of operation				
	1985	1986	1987	1988	1989
Revenues:					
Rooms	$ 868	$1,003	$1,127	$1,259	$1,364
Food and beverage	1,144	1,284	1,414	1,556	1,686
Telephone	39	45	51	57	61
Retail and other, net	15	17	19	21	23
	2,066	2,349	2,611	2,893	3,134
Departmental costs and expenses:					
Rooms	212	233	254	277	299
Food and beverage	969	1,066	1,162	1,267	1,369
Telephone	40	46	51	56	61
	1,221	1,345	1,467	1,600	1,729
Gross operating income	845	1,004	1,144	1,293	1,405
Undistributed operating expenses:					
Administrative and general	154	167	180	196	212
Marketing	56	61	65	71	76
Energy costs	70	78	84	94	102
Property operation and maintenance	73	80	86	94	100
	353	386	415	455	490
Cash available before fixed charges	492	618	729	838	915
Fixed charges:					
Management fee	83	94	104	116	125
Property taxes	46	50	54	59	63
Insurance	8	9	10	10	11
Reserve for replacement	41	47	52	58	63
	178	200	220	243	262
Cash flow before debt service	$ 314	$ 418	$ 509	$ 595	$ 653
Occupancy percentage	58%	63%	66%	69%	70%
Occupied rooms	16,900	18,400	19,300	20,100	20,400
Average rate	$51.25	$54.50	$58.50	$62.50	$66.75

The notes and assumptions contained in this report are an integral part of these financial projections.

CITY OF STURGEON BAY

PROPOSED CONFERENCE/LODGING FACILITY

CONSOLIDATED STATEMENT OF PROJECTED CASH FLOW BEFORE DEBT SERVICE

FIVE YEARS ENDING DECEMBER 31, 1985 THROUGH 1989

SCENARIO B

(Stated in thousands of inflated dollars, except average rate)

	Year of operation				
	1985	1986	1987	1988	1989
Revenues:					
Rooms	$ 868	$1,003	$1,127	$1,259	$1,364
Food and beverage	1,144	1,284	1,414	1,556	1,686
Telephone	39	45	51	57	61
Meeting room rental	18	22	27	31	36
Other income	15	17	19	21	23
Equipment rental	2	2	3	3	4
Miscellaneous	1	1	1	2	2
	2,087	2,374	2,642	2,929	3,176
Departmental costs and expenses:					
Rooms	212	233	254	277	299
Food and beverage	924	1,016	1,108	1,207	1,304
Telephone	40	46	51	56	61
Meeting room supplies	1	1	1	1	1
	1,177	1,296	1,414	1,541	1,665
Gross operating income	910	1,078	1,228	1,388	1,511
Undistributed operating expenses:					
Administrative and general	166	181	195	212	229
Marketing	115	124	133	144	155
Energy costs	87	97	105	117	128
Property operation and maintenance	91	100	108	117	125
	459	502	541	590	637
Cash available before fixed charges	451	576	687	798	874
Fixed charges:					
Management fee	83	94	104	116	125
Property taxes	46	50	54	59	63
Insurance	10	11	12	13	14
Reserve for replacement	41	47	52	58	63
	180	202	222	246	265
Cash flow before debt service	$ 271	$ 374	$ 465	$ 552	$ 609
Occupancy percentage	58%	63%	66%	69%	70%
Occupied rooms	16,900	18,400	19,300	20,100	20,400
Average rate	$51.25	$54.50	$58.50	$62.50	$66.75

The notes and assumptions contained in this report are an integral part of these financial projections.

ECONOMIC IMPACT ON THE CITY

GENERAL

The proposed conference/lodging facility would be responsible for a number of positive effects which would be felt by the city as a whole. First, it would create permanent jobs within the facility. Also, it would likely be the impetus to induce real estate development, which could take the form of additional hotels, retail facilities, restaurants and office space. However, the greatest impact that would be derived from the new facility would be the result of out-of-town delegate expenditures.

The key determinants in evaluating this economic impact are average delegate expenditures per day and the multiplier effect.

DELEGATE EXPENDITURES

Conference delegates generated by the proposed facility would have an important impact on the Sturgeon Bay economy. These visitors contribute direct income to hotels, motels, restaurants, attractions, theatres and retail outlets, bringing fresh dollars into the economy and creating employment.

The average expenditure per delegate projected for Sturgeon Bay was determined by relating Sturgeon Bay to Milwaukee. Our analysis of the Milwaukee convention market indicated that the average delegate expenditure for 1980 was $70.94. This amount was adjusted downward for Sturgeon Bay to account for the lower delegate living costs there. Since hotel expenditures comprise the largest single item for delegates, we related the projected average rates (in 1983 dollars) for the proposed facility in Sturgeon Bay to those of the prime conference and convention hotels in Milwaukee. On the basis of this analysis, the average 1980 delegate expenditure for Sturgeon Bay was estimated to be $57.96, or 81.7% of that of Milwaukee.

To determine the amount of direct expenditures which the city would derive, a 7% inflation factor was applied to this 1980 base number of $57.96 in order to demonstrate the direct incremental economic impact on the city for the five years of our projections, as shown below:

	1985	1986	1987	1988	1989
Delgate days	6,400	7,600	8,700	9,100	9,500
Average expenditure per delegate day	$ 81	$ 87	$ 93	$ 100	$ 107
Direct incremental out-of-town delegate expenditures	$518,400	$661,200	$809,100	$910,000	$1,016,500

Accordingly, the city of Sturgeon Bay's retail sales should increase by an incremental amount ranging from $518,400 in 1985 to over $1,000,000 in 1989 because of the development of the proposed project.

MULTIPLIER EFFECT

In addition to the direct expenditures by the delegates in the city and the injection of dollars directly into the labor force, an economic principle known as the "multiplier" plays a role. Modern income analysis shows that an injection of nonlocal funds into a community (out-of-town delegate spending) will increase that community's income by a multiplied amount.

To demonstrate the phenomenon briefly, the following example is provided. When the out-of-town delegate spends, say, $20 at a restaurant in Sturgeon Bay, the restaurant owner of course receives the $20. However, he in turn must pay his employees and purveyors for their services and goods. For instance, he may pay the local purveyors $10 for the goods. This process continues as the purveyors pay their employees, and so on. The multiplier continues so long as the money stays with the region. Accordingly, if the restaurant purveyor paid for his goods outside of the region, then the total dollars spent would be $30, for an income multiplier effect of 1.5 on the initial nonlocal dollar expenditure. It must be emphasized that this principle works only with nonlocal dollars such as those spent by out-of-town delegates. Moreover, it takes time to run its course and does not happen immediately. However, as the example demonstrates, the economic benefit to the community of the out-of-town delegates' expenditure is substantially amplified.

While no regional multiplers have been developed for Sturgeon Bay to our knowledge, an estimate of 3.0 can be used to demonstrate the effect.

The full effect of delegate spending on the community would be as follows:

INCOME MULTIPLIER EFFECT

	1985	1986	1987	1988	1989
Direct incremental out-of-town delegate expenditures	$ 518,400	$ 661,200	$ 809,100	$ 910,000	$1,016,500
Income multiplier	3.0	3.0	3.0	3.0	3.0
	$1,555,200	$1,983,600	$2,427,000	$2,730,000	$3,049,500

Accordingly, the multiplier effect actually expands the delegate expenditures into sales in the community beyond the level associated with the initial purchase.

ADDITIONAL EMPLOYMENT EQUIVALENTS

The importance of these expenditures to employment in the local area can be seen by examining the various segments making up this market. Conference delegates spend approximately 49% of their daily expenditures on hotel rooms, 32% on food and beverage and 19% on retail concerns.

These breakdowns provide us with total expenditures as shown below for the first year of operation, 1985:

Category	Direct incremental economic impact	Rooms	Food and beverage	Retail
Direct incremental delegate expenditures	$518,400	$254,000	$165,900	$98,500

Our analysis of the additional employment that would be generated from the development of the proposed facility (hotel, food and beverage and retail) indicated that the number of new full-time equivalent employees would range from 80 to 100. It is important to note that many of the jobs within a conference/lodging facility are of a part-time nature. Therefore, the actual number of new jobs created might be greater than the 80 to 100 full-time equivalents.

PROPERTY TAX

Once developed, the proposed hotel would generate property taxes directly to the City. With 100 rooms, the estimated property taxes from the hotel to the City would range from $57,000 in its first year of operation to $77,000 in its fifth. Accordingly, the City could use this income to benefit the community without increasing the taxes of existing property owners.

STURGEON BAY MEETING FACILITY QUESTIONNAIRE

RESP# (1-3)

GENERAL INFORMATION

- Sturgeon Bay is the county seat of Door County
- The meeting facility would be located on the Bay
- A hotel would be adjacent to the meeting facilities

YOUR NAME______________________________

PHONE NUMBER (   )____________________

1. What is the name of your organization?__________________________

   ____

2. Where are your Headquarters located?____________________________

   ____

(Circle the number that corresponds to the appropriate response)

3. Which category best describes your organization:

   Association...........1

   Corporation...........2 (4)

SITE SELECTION INFORMATION

4. How frequently does your association utilize lodging and meeting facilities?

   Annually.........1   Tri-Annually...........3

   Bi-Annually......2   Other/Irregularly......4 (5)

5. How important are each of the following factors in determining a meeting site? (Circle the appropriate number)

Rating key: (1) most important (3) indifferent
(2) very important (4) not important

Site Selection Factor	Importance				
Accessibility by Air	1	2	3	4	(6)
Convenience to other modes of transportation	1	2	3	4	(7)
City Image	1	2	3	4	(8)
Local transportation	1	2	3	4	(9)
Total number of available hotel rooms	1	2	3	4	(10)
Total room commitment in headquarters hotel	1	2	3	4	(11)
Number and quality of area restaurants	1	2	3	4	(12)
Delegate living costs	1	2	3	4	(13)
Promotion by convention bureau and city	1	2	3	4	(14)
Membership density near meeting site	1	2	3	4	(15)
Availability of exhibit space	1	2	3	4	(16)
Size and Quality of meeting facilities	1	2	3	4	(17)
Number and size of hotel suites	1	2	3	4	(18)
On site recreational facilities	1	2	3	4	(19)
Proximity of shopping, restaurants etc.	1	2	3	4	(20)
Off-site entertainment	1	2	3	4	(21)
Distance from individual attendees	1	2	3	4	(22)
Quality of food service	1	2	3	4	(23)

EXHIBIT/MEETING REQUIREMENTS

6. Please provide the appropriate response for the year 1983. (circle more than one if applicable)

A. Month of Meeting(s) (24)

January	1	July	7
February	2	August	8
March	3	September	9
April	4	October	0
May	5	November	X
June	6	December	Y

B. Duration of Meeting (in days) (25)

2 or less	1
3	2
4	3
5	4
6	5
7	6
More than 7	7

C. Total Attendance (closest number) (26-27)

25	1	400	1
50	2	450	2
75	3	500	3
100	4	600	4
150	5	700	5
200	6	800	6
250	7	900	7
300	8	1000+	8
350	9		

D. Hotel rooms required (28-29)

less then 25	1	300	8
50	2	350	9
75	3	400	1
100	4	450	2
150	5	500	3
200	6	600	4
250	7	700+	5

E. Exhibit space required (30-32)
(Net Square Feet)

Less than - 250	1
250 - 500	2
500 - 1,000	3
1,000 - 1,500	4
1,500 - 2,000	5
2,000 - 2,500	6
2,500 - 3,000	7
3,000 - 3,500	8
3,500 - 4,000	9
4,000 - 4,500	1
5,000 - 6,000	2
6,000 - 7,000	3
7,000 - 8,000	4
8,000 - 9,000	5
9,000 - 10,000	6
10,000 - 12,000	7
12,000 - 14,000	8
14,000 - 16,000	9
16,000 - 18,000	1
18,000 - 20,000	2
More than - 20,000	3

F. Meeting breakout rooms required (33)

less than 2	1
3	2
4	3
5	4
6	5
7	6
8	7
9	8
10	9
11-15	0
16-20	X
More than 20	Y

G. Largest meeting room requirement: (34)
(other than for General
Session) (number of people)

Fewer than 100	1
100 - 150	2
150 - 200	3
200 - 250	4
250 - 300	5
300 - 350	6
350 - 400	7
400 - 500	8
500 - 600	9
600 - 700	1
700 - 800	2
800 - 900	3
900 - 1,000	4

7. How many days in the convention center do you require for each of the following phases of the exhibit:

Setup	(1)	(2)	(3)	(4)	(5)	(6)	(7)	days	(35)
Show	(1)	(2)	(3)	(4)	(5)	(6)	(7)	days	(36)
Tear down	(1)	(2)	(3)	(4)	(5)	(6)	(7)	days	(37)

MEAL SERVICE REQUIREMENTS

8. How many of each of the following banquet meals are normally held in the meeting facility?

A.

Number of Functions Held	Breakfast	Coffee Break	Lunch	Dinner	Cocktails/ Reception
	(38)	(39)	(40)	(41)	(42)
0	0	0	0	0	0
1	1	1	1	1	1
2	2	2	2	2	2
3	3	3	3	3	3
4	4	4	4	4	4
5	5	5	5	5	5
More than 5	6	6	6	6	6

B. What is the average attendance per meal function? (43-44)

Fewer than 25..........................0
25 - 50...................1
50 - 75...................2
75 - 100...................3
100 - 150...................4
150 - 200...................5
200 - 250...................6
250 - 300...................7
300 - 400...................8
400 - 500...................9
500 - 600...................0
600 - 700...................1
700 - 800...................2
800 - 900...................3
900 - 1000...................4
1000 - 1250...................5
1250 - 1500...................6
More than 1500.................7

MISCELLANEOUS

9. What mode of transportation do most of your meeting attendees utilize to get to the meeting site? (Circle the appropriate answer)

Air................1 (45)

Auto...............2

Other..............3

(if other, please explain)

10. How important is air service to the meeting site?

Most important............1 (46)

Very important............2

Indifferent...............3

Not important.............4

11. If the meeting site had no air service, would you reject it.

Yes...........1 (47)

No............2

12. What type of meeting site would you prefer?

Isolated..................1 (48)

Near an activity
Center-Retail,
Restaurants, etc..........2

13. What type of meeting facility did you use last year? (49)

Mid-Town Hotel or Motor Inn.................1
Suburban Hotel or Motor Inn.................2
Airport Hotel or Motor Inn..................3
Resort Hotel................................4

Public

Convention Center...........................5
Other.......................................6

14. How would you rank the following communities as a potential meeting site:

	Excellent	Good	Fair	Indifferent	Poor	
Milwaukee	1	2	3	4	5	(50)
Madison	1	2	3	4	5	(51)
Green Bay	1	2	3	4	5	(52)
Oshkosh	1	2	3	4	5	(53)
LaCrosse	1	2	3	4	5	(54)
Door County	1	2	3	4	5	(55)
Sturgeon Bay	1	2	3	4	5	(56)
Sister Bay	1	2	3	4	5	(57)

Comments: ______________________________

____

____

15. Would you consider meeting in Sturgeon Bay, Wisconsin if your meeting, lodging and transportation (air service) requirements were satisfied?

Yes....................1 No....................2 (58)

Please explain

____

____

____

OTHER COMMENTS

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Thank you for your participation.

RESULTS OF MEETING PLANNER SURVEY

GENERAL

This section describes the results of our survey of Wisconsin meeting planners as regards their potential use of Sturgeon Bay as a meeting site.

We mailed 189 questionnaires (Appendix A) to corporate and association meeting planners throughout Wisconsin. These questionnaires were distributed in the following proportions:

	Amount	Percentage
Association	171	90.5%
Corporate	18	9.5
	189	100.0%

We received 85 responses to our survey, distributed as follows:

	Amount	Percentage
Association	72	84.7%
Corporate	8	9.4
No answer	5	5.9
	85	100.0%

SITE SELECTION INFORMATION

Question #4: How frequently does your association utilize lodging and meeting facilities?

Approximately 45% of those responding to this question indicated that they met on an annual basis. An additional 45% of those responding indicated that they met on either a biannual or an irregular basis. Those responses are indicative of the variety of meeting schedules existing in the marketplace.

Question #5: How important are each of the following factors in determining a meeting site?

Survey responses indicated that the four most important criteria in site selection for meeting planners, in order of importance, are the following:

- Size and quality of meeting facilities
- Availability of food services
- Delegate living costs
- Total room commitment in headquarters hotel

When planning the future development and marketing by the proposed facility, the above criteria should be considered so as to ensure the greatest possibility of success.

EXHIBIT/MEETING REQUIREMENTS

Question #6: Please provide the appropriate response for the year 1983.

A. Month of meeting(s):

Although responses to this question indicated that meetings are held throughout the year, the largest concentration of meetings (in order) are in October, May, April, September and March. This seasonality pattern should provide a good complement to the heavy influx of tourists during the summer months.

B. Duration of meetings:

Nearly 80% of the respondents indicated that their meetings lasted three days or less, and a majority of these lasted two days or less. This provides an idea of the typical type of meeting, rather than extended convention/exhibition, that Sturgeon Bay should be attempting to attract.

C. Total attendance:

Nearly 80% of those responding indicated that their total attendance was 350 or less. This factor has been taken into consideration when determining the appropriate facilities for the proposed property.

D. Hotel rooms required:

Almost 70% of meeting planners responding indicated that they would require 100 hotel rooms or fewer for their meetings. This level is equal to the number of hotel rooms suggested for the property under one scenario. An additional 20% of those responding required between 100 and 200 rooms. Rather than building this level of rooms at the proposed property, it is expected that groups requiring more than 100 rooms could utilize (and therefore benefit) other lodging facilities in Sturgeon Bay.

E. Exhibit space required:

Slightly over 80% of the survey's responses indicated that their meetings required 3,500 square feet or less of exhibit space. This factor was taken into consideration when determining an appropriate size of meeting facilities for the proposed project. This sizing also takes into account the necessity of accommodating simultaneous meeting and banquet functions. Accordingly, the usable square footage in the center would total approximately 8,000 gross square feet.

F. Meeting breakout rooms required:

Almost 90% of those responding required seven or fewer meeting breakout rooms. This was the basis of our recommended level of breakout rooms for the proposed facility.

G. Largest meeting room requirement (number of people):

Slightly over 80% of those responding indicated that their largest group was 250 people or fewer. The necessity to accommodate groups of that size for both meeting and banquet functions was taken into consideration when determining the appropriate level of facilities for the proposed project.

Question #7: How many days in the convention center do you require for each of the following phases of the exhibit?

- Setup
- Show
- Tear-down

The responses to this question reinforced earlier comments regarding the length of meetings: usually three days or less. The necessity for accommodating potential simultaneous setup and tear-down of shows should be incorporated into the design of the proposed facility (e.g., truck docks).

MEAL SERVICE REQUIREMENTS

Question #8A: How many of each of the following banquet meals are normally held in the meeting facility?

Survey responses to this question indicated that food and beverage facilities for all types of meals, including coffee breaks and cocktail receptions, should be present in the proposed facility.

Question 8B: What is the average attendance per meal function?

Over 50% of those responding indicated that their banquets had between 100 and 200 people. Therefore, the banquet facilities at the proposed property should be designed to accommodate groups of this size.

MISCELLANEOUS

Question #9: What mode of transportation do most of your meeting attendees utilize to get to the meeting site?

Of those responding, 86.7% indicated that their members traveled to the meeting site by automobile. Therefore, Sturgeon Bay's current lack of scheduled commercial air service should not hinder the city's ability to attract meeting groups.

Question #10: How important is air service to the meeting site?

The survey indicated that over 60% of the respondents believed that the availability of air service was not important, or was a neutral consideration in their site selection process. This reinforces the comments in regard to Question #9 above.

Question #11: If the meeting site had no air service, would you reject it?

Since over 80% of the respondents to the question answered "no", it is clear that Sturgeon Bay's current lack of air service should not pose any major difficulty in attracting groups.

Question #12: What type of meeting site would you prefer:

The nearly 80% preference by meeting planners for a site near an activity center indicates the greater potential of a downtown site versus a highway site for the proposed project.

Question 13: What type of meeting facility did you use last year?

According to responses from the meeting planners surveyed, the most utilized type of facility was a mid-town hotel. This is additional support for locating the proposed project in Sturgeon Bay's downtown area.

Question 14: How would you rank the following communities as a potential meeting site?

Responses to this question indicated that the most preferred meeting sites in Wisconsin (in order) are Milwaukee, Madison and LaCrosse. Sturgeon Bay was superior only to Sister Bay. From our analysis of the comments provided by the meeting planners, the major shortcomings that may hinder Sturgeon Bay's development as a meeting site are the lack of familiarity by meeting planners with the facilities available in the city, the noncentralized location of Sturgeon Bay within Wisconsin, and the lack of association membership among residents of the area. An effective marketing campaign for the proposed facility should allow Sturgeon Bay to overcome the current lack of knowledge about the city.

Question #15: Would you consider meeting in Sturgeon Bay, Wisconsin, if your meeting, lodging and transportation requirements were satisfied?

The high positive response (over 85%) to this question regarding Sturgeon Bay is indicative of the potential of the area as a meeting site.